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Arizona Solar Energy
Industries Association

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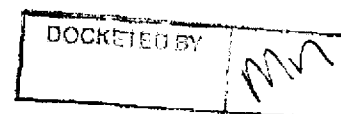
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October 13, 2009

Chairman Kristin Mayes
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

OCT 13 2009



**Re: In the Matter of the Application of SolarCity for Adjudication Not a
Public Service Corporation: Docket No. E-20690A-09-0346 (Track 2)**

The Arizona Solar Energy Industries Association, a solar industry trade association, and a chapter of the Solar Energy Industries Association, has worked to support public policy that would lead to the sustainable growth of Arizona's solar industry. Our members include solar companies from manufactures to contractors, as well as other related businesses interested in the development of solar energy.

The Solar Services Agreement model, also known as a Power Purchase Agreement ("PPA") is a valuable tool that many of our members use to facilitate the installation of photovoltaic systems in all sectors of the market. Across the nation, SSAs have been used as the funding mechanism for nearly 90% of commercial photovoltaic system installations. The SSA model permits companies and other organizations, who are interested in adopting solar to do so without having to invest the upfront capital required to build a system. In most cases, the SSA is the only viable option for non-tax paying entities to install solar.

We have commented before on this issue in the Solar Alliance Docket () and our thoughts remain the same. The sooner the Solar Service Agreement (SSA) issue, becomes resolved, the sooner that energy and the resulting budget savings with solar energy will be available to Arizona's non profits, state, county, and municipal governments, and schools. Private companies who wish to achieve energy savings will also be able to profit from this model.

Solar Service Agreements were developed to represent a mechanism to allow entities to make use of tax credits that do not have a tax appetite for one reason or another. These entities include non profits, state, county, and municipal governments, and schools in addition to private companies. The SSA also model allows companies who are interested in installing solar electric systems to do so without having to invest the upfront capital required to purchase the system.

AriSEIA requests the ACC to expand the scope of the decision before it in the SolarCity application beyond schools, non-profit organizations and governmental entities to include all potential SSA customers that are in a position to benefit from this proven financing mechanism. The Arizona solar industry is looking for a clear response from the ACC that will enable further investment and growth of the industry.

Companies that install solar electric systems through the use of Solar Service Agreements should not be considered Public Service Corporations for the following reasons:

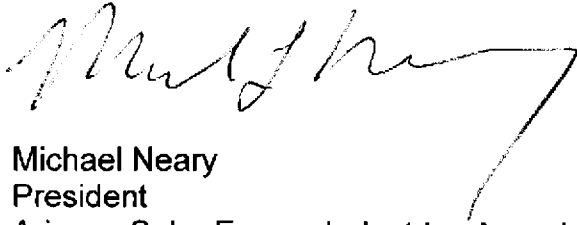
Unlike a Public Service Corporation, the power goes to a single user and they are a distributed resource.

- a company that provides electricity through a SSA does not have a set rate structure for all customers.
- A company that provides electricity does not replace the Public Service Corporation that remains the primary provider of electricity.
- SSA's share many characteristics with leases and performance contracts but differ from a legal and tax standpoint. The SSA is simply a financing mechanism that enables commercial solar projects to be developed.
- Companies that use the SSA model do not have a set service territory and operate apart from the electrical grid.

Solar Service Agreements (SSAs) are necessary for the growth of the solar electric industry and to allow Arizona's utilities to meet their Renewable Energy Standard and Tariff (REST) goals. If SSA providers are to be regulated as public utilities, Arizona will be placed at a competitive disadvantage and it would discourage solar SSA providers from operating in this state. Already, projects have been put on hold until this issue is settled.

We urge the Commission to rule in favor of Solar City's filing and settle this issue with as broad a ruling as possible. If that is not the case, we recommend a workshop to determine the best solutions to this problem whether at the Commission, the Arizona Legislature, or the voters.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael Neary", with a long horizontal stroke extending to the right.

Michael Neary
President
Arizona Solar Energy Industries Association